

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00

COME-00 INR-10 LAB-04 NSAE-00 OIC-02 SIL-01

STR-07 TRSE-00 CEA-01 SS-15 AF-10 ARA-10 EA-10

NEA-10 /135 W

-----030536 152313Z /70

R 152202Z FEB 78

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6026

INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 04803

DEPARTMENT PASS EB FOR CROWE

PASS TREASURY

E.O. 11652: GDS

TAGS: UNCTAD, FR

SUBJECT: COMMON FUND AND DEBT -- GOF'S FEBRUARY 8

DISCUSSIONS WITH UNCTAD SYG COREA

REF: (A) GENEVA 01998; (B) BASORA-CROWE TELECON

A. COMMON FUND: ON FEBRUARY 15, PIERRE ARIOLA, OF THE QUAI'S UN AND INTERNATIONAL ORGANIZATIONS DIRECTORATE, PROVIDED THE FOLLOWING INFORMATION ON THAT PORTION OF THE FEB 8 GOF-COREA TALKS WHICH DEALT WITH THE COMMON FUND. HIS COMMENTS GENERALLY CONFIRM THOSE CONTAINED IN THE REFTEL. ARIOLA WAS PRESENT DURING THE DISCUSSION HE DESCRIBED. ARIOLA SAYS THE OVERALL IMPRESSION CONVEYED TO THE GOF BY COREA WAS THAT HE WAS STILL VERY MUCH THE G-77 SPOKESMAN, BUT HIS DELIVERY SEEMED TO CONSTITUTE A COMBINATION OF INSTRUCTIONS FROM HIS
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CONSTITUENTS AS WELL AS HIS PERSONAL VIEW. HE WAS FIRM IN INSISTING THAT THE UNCTAD V (MANILA) DEADLINE OF MAY 1979 BE MET WITH THE COMPLETION OF THE WORK OF ESTABLISHING A COMMON FUND. ON THE TIMING OF A RESUMED COMMON FUND NEGOTIATING CONFERENCE, ARIOLA SAID COREA APPEARED "ASSEZ PRESSE," AND ALTHOUGH PROBABLY ABLE TO HOLD OFF

THROUGH APRIL, HE DEFINITELY APPEARED TO WANT
TO GET THINGS GOING AGAIN BEFORE THE END OF MAY.

COREA'S REVIEW OF COMMON FUND MECHANICS, HOWEVER,
EVIDENCED FLEXIBILITY AND AN APPARENT DESIRE TO
WORK THINGS OUT. THE TRADITIONAL PROBLEMS REMAIN,
BUT G-77 GOALS WERE NOT FORMULATED AS PRECONDITIONS,
ACCORDING TO ARIOLA. ON FIRST WINDOW (BUFFER
STOCKS) DEPOSIT RATIOS, COREA SAID THAT 75 PERCENT
WAS TOO HIGH AND THAT A "FOURCHETTE" SYSTEM OF
CONTRIBUTIONS WOULD HAVE TO PREVAIL -- WITH
DEPOSITS PERHAPS AS LOW AS 15 PERCENT FOR SOME
COMMODITIES. THE SECOND WINDOW (OTHER MEASURES)
WAS AT THE TOP OF COREA'S LIST OF
CONCERNS, ARIOLA SAID, AND THE UNCTAD SYG'S DELIVERY
ON THIS SUBJECT WAS ABOUT WHAT ONE WOULD EXPECT
INsofar AS IT PLEADED FOR RECOGNITION OF REAL
POLITICAL AND DEVELOPMENTAL NEEDS OF MANY LDC'S
IN ACHIEVING ADDITIONAL AID THROUGH
THE "OTHER MEASURES" APPROACH. NEVERTHELESS,
SYG MADE NO DEMANDS. RATHER HE SOUGHT COMPROMISE.
THERE WAS, ARIOLA CONFIRMED, A WILLINGNESS TO
ACCEPT A SECOND WINDOW UNDER THE AEGIS OF THE
ICA'S (INTERNATIONAL COMMODITY AGREEMENTS) SO LONG
AS EQUITABLE ARRANGEMENTS (FROM G-77 POINT OF VIEW)
CAN BE WORKED OUT ON BUFFER STOCK FINANCING. ARIOLA
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SAID COREA WAS NOT CLEAR ON JUST HOW SECOND WINDOW

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C O N F I D E N T I A L SECTION 02 OF 02 PARIS 04803

SHOULD BE FINANCED, BUT THAT SYG DID SAY IT WAS
"PSYCHOLOGICALLY IMPORTANT THAT GROUP-B NOW MAKE
SOME KIND OF GESTURE TO G-77." (N.B. THIS LAST
MAY IN FACT ALSO BE A GOF POSITION WHICH ARIOLA
IS EMPHASIZING FOR OUR BENEFIT.)

B. UNCTAD DEBT DISCUSSIONS: PFAUWADEL OF MINFIN
TELLS US THAT COREA SPENT RELATIVELY LITTLE
TIME ON DEBT ISSUE AND SAID NOTHING NEW. HE EXPRESSED
CONCERN ABOUT THE MARCH MEETING AND, AS CONDITIONS
FOR ITS SUCCESS, REPEATED THE THEMES OF HIS LAST
OPENING SPEECH IN GENEVA. FOR THE GOF DE LAROSIERE
EXPRESSED THE VIEW THAT THE MARCH MEETING WOULD NOT
PRODUCE MUCH BUT SHOULD NOT BE BUILT UP AS A
SYMBOL OF SUCCESS OR FAILURE; IT IS SIMPLY ONE STEP
IN A LONGER PROCESS. HE SAID THAT
FRANCE WOULD STICK WITH THE EEC/US PROPOSAL. ASKED
WHETHER HE COULDN'T MAKE A CONSTRUCTIVE NEW PROPOSAL,
COREA SAID HE WOULD SEND ARSENIS TO PARIS AND TO
WASHINGTON NEXT WEEK WITH THIS AS A GOAL. BUT THE
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FRENCH DOUBT MUCH WILL COME OF THIS. THEY STILL
SEE COREA AS AN ADVOCATE FOR THE G-77 AND FOUND HIS
VISIT TO PARIS DISAPPOINTING AND OF NO REAL USE.
MYERSON.

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